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C O N F I D E N T I A L SECTION 01 OF 02 CONAKRY 000288

SIPDIS

STATE FOR AF/W, AF/EPS, EB/IFD/ODF

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SUBJECT: WORLD BANK RESREP VOICES CONCERNS ABOUT CURRENT
STATE OF AFFAIRS

REF: CONAKRY 0285

Classified By: POL/ECON CHIEF SHANNON CAZEAU FOR REASON 1.4 B AND D

11. (C) SUMMARY. During a meeting with the Ambassador, the World Bank representative to Guinea confirmed rumors that the presidency had canceled the Rio Tinto contract. He also confirmed that the GoG used French assistance funds to pay off the mutineers. Finally, he shared his perspective on the possibility that the old regime is coming back, and the implications such a development might have on foreign assistance packages. END SUMMARY.

12. (C) Ambassador Carter met with Siaka Bakayoko, the resident representative of the World Bank in Guinea, on June 12. Siaka confirmed reports that the president's office, under the order of Secretary General Sam Soumah, had canceled a lucrative iron ore mining contract held by Rio Tinto. The company had been planning to invest billions of dollars into the mine in Guinea's Forest Region, to include building a transnational railroad. Siaka noted that the new prime minister, Dr. Ahmed Tidiane Souare, had signed the original contract with Rio Tinto when Souare was the Minister of Mines. This throws counter the PM's recent declarations that the GoG must honor its mining conventions rather than renegotiate them due to demands from various interest groups. According to Siaka, a contact at the International Finance Corporation in Washington DC said that someone had paid \$7 million to someone in the presidency as a bribe to get the Rio Tinto contract canceled. Siaka said that after the contract was terminated, the \$7 million check bounced. Siaka has also heard that the current Minister of Mines will likely be replaced when the new government is announced.

13. (C) With respect to the PM's long awaited cabinet appointments, Siaka said that the list has been with the president for more than a week, but that Conte's entourage is fighting over the list of names. Siaka said that he had spoken to Finance Minister Ousmane Dore a few weeks ago and that Dore had been relatively confident that he would be retained in the new government. When he saw him a few days ago, however, Siaka said that Dore was subdued and thought he might be fired because many of the long established local rice merchants/dealers who are closely associated with the Presidency are upset with increased transparency that he has brought to the country's import regime and are using the recent fuel price increase and the rising cost of rice as reason to dismiss him. As Siaka noted, "Dore is now under pressure for having done the right thing." If Dore is dismissed, Guinea's reform program would be seriously threatened as he was the force behind much of the GoG's economic reforms, Siaka opined. The Ambassador concurred.

14. (C) Siaka shared the Ambassador's concerns that the GoG,

despite repeated promises from the GoG, the government has yet to present its strategy and program to respond to the country's food crisis. He had heard that the Finance Minister (as head of the crisis committee) has sent a draft strategy to the U.N ResRep but that for the most part the government has been disengaged in this process.

15. (C) Siaka confirmed an earlier report (reftel) that the Guinean Government had used debt relief funds provided by the French company COFACE, an insurance and risk management firm, to make the first 1 million GnF per soldier installment payment to the military mutineers.

16. (C) Regarding the 100 new buses that former prime minister Kouyate recently put into service, Siaka said that the Ivoirian company that was hired to manage transportation services left Guinea a few weeks ago because of a disagreement with the GoG on a "modus operandi." Siaka said that he had told Kouyate and later the Finance and Transportation Ministers that the World Bank would consider assisting the bus service, but only if the GoG wanted to try and temporarily subsidize all bus fares rather than singling out special categories of commuters (such as students or military) for reduced fares. Siaka asked for a business plan and a break even analysis, but has not received one.

17. (C) Siaka mentioned a lunch he had recently with Kassory Fofana, a close friend of the president, and a former minister. He confirmed that Kassory has been staying at the Novotel, noting that Kassory spends the morning at the hotel and then spends the rest of the day at the presidential

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palace. Siaka told the Ambassador that he was shocked to see how deferential people were to Kassory. During lunch at the hotel, Siaka said that Kassory had several attendants waiting on him, holding and answering a handful of cellphones that rung constantly. In addition, Siaka said that a number of people stopped by the table and bowing low to the ground, and generally being obsequious. Siaka was stunned by the political theater he witnessed at the lunch, noting that in when Kassory left Guinea a few years ago, he had to have an armed Red Beret escort because people wanted to attack him for his corruption. Now, "he was holding court like a Prime Minister," Siaka said.

18. (C) According to Siaka, Kassory is looking to become the minister of state for the president (similar to Fode Bangorah's previous position as defacto prime minister) or the minister of mines. Siaka said that Kassory was extremely self-confident and seemed sure that he would have a position in the new government. At one point, Kassory reportedly said "we need a strong presence to manage this country, and I am that person." Kassory confirmed that the draft list of cabinet appointments is already at the presidency.

COMMENT

19. (C) Siaka was clearly disturbed by political developments in Guinea, which seem to suggest that the government may be returning to the old guard, although this will not be clear until the cabinet list is finally released. The fact that French assistance funds were used to pay off the mutineers (without the French Embassy's apparent knowledge) suggests that the international community may need to closely reevaluate assistance packages to Guinea in the near future, to avoid "enabling" the emerging regime. END COMMENT.
CARTER